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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of	)	
	)	
Access Charge Reform	)	CC Docket No. 96-262
	)	
Price Cap Performance Review for Local Exchange Carriers	)	CC Docket No. 94-1
	)	
Interexchange Carrier Purchases of Switched Access Services Offered By Competitive Exchange Carriers	)	CCB/CPD File No. 98-63
	)	
Petition of US West Communications, Inc. For Forbearance from Regulation as a Carrier in the Phoenix, Arizona MSA	)	CC Docket No. 98-157
	)	

REPLY COMMENTS

BellSouth Corporation ("BellSouth"), on behalf of itself and its subsidiaries, hereby submits its Reply Comments on the *Further Notice of Proposed Rulemaking* released August 27, 1999.<sup>1</sup>

1. The Commission finds itself at a critical point in the process of reforming interstate access charges. The path thus far has been long and arduous but the Commission's perseverance has produced the beginning of meaningful regulatory change. At this juncture, the Commission must choose the direction that will guide the telecommunications industry into the next century. The choices are distinct: will the Commission continue to sweep away archaic regulatory obstacles confronted by incumbent LECs and promote competitive parity, or will the

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<sup>1</sup> *In the Matter of Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Interexchange Carrier Purchases of Switched Access Services Offered by Competitive Local Exchange Carriers, and Petition of US West Communications, Inc. for Forbearance from Regulation as a Dominant Carrier in Phoenix, Arizona MSA, CC Docket Nos.*

Commission hesitate in its reform efforts and resort to heavy-handed regulation that imprisons incumbent LECs?

2. Those that propound the gospel of regulation demonize incumbent LECs and view pricing flexibility and market-based regulation as aberrant excesses. Their fear of incumbent LECs is supposed to justify the Commission's return to a prescriptive form of regulation. Behind their rhetoric, however, is the real fear—competition. Those that characterize access reform as an unnecessary indulgence are in fact primary competitors of the incumbent LECs. Their role in this proceeding is not as a guardian of the public interest but rather as a guardian of their self-interests. As competitors of incumbent LECs, the lop-sided regulation of incumbent LECs affords them a competitive boost that is unrelated to innovation, entrepreneurial skill or marketplace savvy. Such benefits to individual competitors do not equate to advancing competition or the public interest.

3. The inherent advantages to competitors of incumbent LECs in delaying any further Commission action on pricing flexibility is patently obvious. Thus, it comes as no surprise that a few commenters suggest that the Commission do nothing with regard to establishing Phase II triggers for traffic sensitive services<sup>2</sup> or that some argue for unreasonable demonstrations for relief.<sup>3</sup> In either case, the objective is the same: to maintain the regulatory vice on incumbent LECs.

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96-262, 94-1, 98-63, and 98-157, *Fifth Report and Order and Further Notice of Proposed Rulemaking*, FCC 99-206, released August 27, 1999 ("FNPRM").

<sup>2</sup> MCI WorldCom at 7-8, Sprint at 8, C&W USA at 7, CompTel at 9.

<sup>3</sup> AT&T at 8-11, GSA at 8, Time Warner at 25-27.

4. The time, however, has come for regulatory reform. The one certainty is that regulatory change lags the marketplace. The market conditions for regulatory relief have long existed. The debate over adaptive regulation has gone on for six years. The Commission needs to bring the debate to a close and put in place the access charge reforms that establish a meaningful framework for incumbent LECs to compete.

5. In its Reply Comments, USTA responds to those parties who oppose or would limit pricing flexibility for incumbent LECs. USTA demonstrates that arguments of those parties who would impose unrelated conditions on Phase II traffic sensitive triggers or would have the Commission postpone adopting such triggers simply are in error. USTA also shows that there is no basis in this proceeding for changing the local switching rate structure or for making any changes in the price cap formula. BellSouth has worked closely with USTA in its preparation of reply comments and fully supports USTA's position.

6. Access reform is not just about price reductions. Indeed, those parties that focus exclusively on achieving some preconceived magic price for access through regulatory prescription truly miss the complexities of the interstate access charge system. Interstate access charges carry the baggage of years of regulatory policies. There are implicit subsidies, some, such as universal service, direct and obvious and others, such as the enhanced services exemption, are more oblique. The Commission cannot force rate changes without addressing these matters.

7. Access reform is a necessary step toward modifying regulation in the wake of increased competition. Nevertheless there are other steps that the Commission could take that

would specifically address local switching rate levels and carrier recovery of common line costs that interexchange carriers have raised in this proceeding.

8. BellSouth is a member of the Coalition for Affordable Local and Long Distance Service (“CALLS”) and a co-sponsor of the CALLS plan. The CALLS plan is a comprehensive approach to universal service and access charge reform. As such, it can deliver significant benefits to American consumers that cannot be achieved by some of the less balanced approaches that some commenters have put forward in this proceeding. The superiority of the CALLS plan is its recognition of the interdependence of several issues: (1) universal service—the plan establishes a universal service fund to replace existing implicit support in access charges; (2) loop cost recovery—the plan replaces the current patchwork of charges objected to in this proceeding with a single subscriber line charge and permits deaveraging; and (3) traffic sensitive rate reductions—the plan would result in traffic sensitive usage rates being reduced 50 percent below current levels which would then be “frozen” at the lower level.

9. The comprehensive approach reflected in the CALLS plan creates a rational interstate access charge structure that will encourage and support rural infrastructure investment. Further, the plan promotes the goals of the Communications Act through its creation of an explicit universal service fund. Because interstate access charges will no longer be a significant source of universal service support and because switched usage rates would be reduced to half the current level, the impact of the ESP exemption is substantially reduced. Thus, the CALLS plan can and does address most of the rate structure and rate level issues raised by the non-LEC commenters, but does so in a fair and equitable manner.

10. All of the pieces are before the Commission to completely reform the interstate access charge mechanism. Market-based triggers that decrease regulatory intervention to recognize competition are no less important than addressing access rate structures and rate levels. Completing the work to establish reasonable Phase II traffic sensitive triggers and acting favorably on the CALLS plan would create a pro-competitive regulatory framework that benefits local exchange carriers, interexchange carriers, LEC competitors and consumers to telecommunications services. Such action would bring to a close the effort that was begun six years ago by delivering to the public benefits that can ill afford to be squandered through inaction and delay.

Respectfully submitted,

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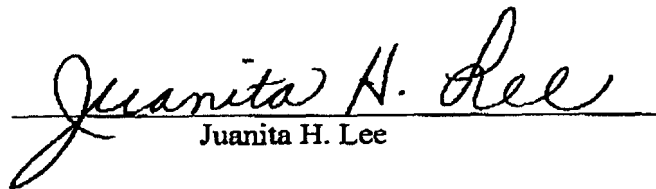
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**CERTIFICATE OF SERVICE**

I do hereby certify that I have this 29<sup>th</sup> day of November 1999 served the following parties to this action with a copy of the foregoing REPLY COMMENTS by hand delivery or placing a true and correct copy of the same in the United States Mail, postage prepaid, addressed to the parties listed on the attached service list.

  
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